

Related Midwest bets big on Streeterville

By: [Alby Gallun](#) July 24, 2013

Related Midwest just can't get enough of Streeterville.

The residential developer acquired the defaulted loan on the failed Chicago Spire project at the end of June, weeks after the first residents started moving into its new 500-unit apartment tower a couple blocks away at 500 N. Lake Shore Drive.

Not content to stop there, the firm, a unit of New York-based Related Cos., now is buying a 22,300-square-foot development site just west of its apartment building, according to people familiar with the transaction.

It's unclear what Related Midwest plans to build there, but it's going long on Streeterville at an interesting point in the real estate cycle. Though demand for apartments remains strong, a downtown construction boom well under way [will test that strength](#) and could make it harder for new projects to get off the ground.

The condo market, meanwhile, [is rebounding from a long slump](#). But "it's probably too soon" for developers to start stamping out high-rises again, said Ron DeVries, vice president of Chicago-based consulting firm Appraisal Research Counselors.

Under current zoning, Related Midwest could build a 280-foot-tall tower with 232 condos or apartments on the site, according to an online brochure from Jones Lang LaSalle Inc., the Chicago-based real estate firm hired to sell it. The acquisition also includes an underground parking garage with 704 stalls that has already been built.

Chicago-based Related Midwest has agreed to buy the property, an L-shaped parcel between Illinois Street and Grand Avenue on the west side of Peshtigo Court, from Tokyo-based MS & AD Insurance Group Holdings Inc., which [seized it through foreclosure](#) in March from developer Dan McLean.

Mr. McLean planned to build a tower on the property as the second phase of his ParkView Towers development but defaulted on a loan on the property in 2011, after the condo market crashed.

It's unclear what Related Midwest is paying for the property, but MS & AD valued it at \$19.9 million in the March foreclosure auction. Related Midwest President Curt Bailey declined to comment on the property. MS & AD declined to comment. A Jones Lang executive did not return calls.

HANDS FULL DOWNTOWN

Related Midwest already has its hands full in downtown Chicago, after taking over [three South Loop condo towers](#) and the failed Waterview Tower and Shangri-La Hotel project on Wacker Drive, [which it is reincarnating as apartments](#).

But Streeterville has attracted most of its attention lately. At 500 N. Lake Shore, which opened in May, 45 percent of the apartments have been leased, Mr. Bailey said.

The company doubled down last month, when it [acquired \\$93 million in defaulted debt](#) on the site of the proposed 150-story Chicago Spire, now just a hole in the ground. Related Midwest hasn't disclosed its plans for the property, which is still in foreclosure.

The firm is going all in with the ParkView acquisition, a strategy that has a certain logic to it. Other residential developers have concentrated their investments in a small area, include Magellan Development Group LLC in Lakeshore East and Fifield Cos. in the Kinzie Station development in River West.

"It's a way that you can control the market a little bit," Mr. DeVries said.

Yet the Streeterville apartment market is becoming increasingly crowded, diminishing the appeal of a rental tower. Including Related Midwest's new building, three projects with a combined 1,223 units will be completed this year and next in the neighborhood, according to Appraisal Research. About 1,200 more are in the planning stage.

Whatever the developer decides to do, it can move quickly because the property is already zoned.

“The site's ready to go,” Mr. DeVries said. “They're not going to see that 12- to 18-month delay to get the zoning done that another site might run into.”